EAST WEST PETROLEUM CORP.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
MARCH 31, 2016 AND 2015

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
East West Petroleum Corp.

We have audited the accompanying consolidated financial statements of East West Petroleum Corp., which comprise of the consolidated statements of financial position as at March 31, 2016 and 2015 and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of East West Petroleum Corp. as at March 31, 2016 and 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Professional Accountants

July 28, 2016

EAST WEST PETROLEUM CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	Note	March 31, 2016 $	March 31, 2015 $
ASSETS			
Current assets			
Cash		7,694,932	8,401,122
GST receivable		11,715	19,568
Amounts receivable	4	289,253	754,270
Prepaid expenses		11,490	79,679
Advances receivable	5	324,275	209,270
Total current assets		8,331,665	9,463,909
Non-current assets			
Investment in associated company	6	255,542	-
Exploration and evaluation assets	7	5,780,002	5,835,112
Property, plant and equipment	8	448,827	4,207,757
Deposit		-	33,066
Total non-current assets		6,484,371	10,075,935
TOTAL ASSETS		14,816,036	19,539,844
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		486,293	562,212
Non-current liabilities			
Decommissioning liabilities	9	1,183,793	1,062,292
TOTAL LIABILITIES		1,670,086	1,624,504
SHAREHOLDERS' EQUITY			
Share capital	10	39,868,761	40,344,281
Share-based compensation reserve		5,031,161	5,008,538
Foreign currency translation reserve		(487,746)	320,538
Deficit		(31,266,226)	(27,758,017)
TOTAL SHAREHOLDERS' EQUITY		13,145,950	17,915,340
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		14,816,036	19,539,844

Nature of Operations - see Note 1

Commitments - see Note 15

Events after the Reporting Period - see Note 18

These consolidated financial statements were approved for issue by the Board of Directors on July 28, 2016 and are signed on its behalf by:

/s/ David Sidoo	*/s/ Nick DeMare*
David Sidoo	Nick DeMare
Director	Director

The accompanying notes are an integral part of these consolidated financial statements.

EAST WEST PETROLEUM CORP.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	Note	Year Ended March 31, 2016 $	2015 $
Revenues and costs			
Petroleum and natural gas sales		3,342,553	6,547,177
Production costs		(1,285,840)	(1,144,612)
Transportation and storage costs		(468,647)	(932,333)
Royalties		(139,923)	(287,819)
		1,448,143	4,182,413
Expenses			
Depletion and depreciation	8	2,845,039	2,817,737
Impairment of exploration and evaluation assets	7	-	503,632
Impairment of property, plant and equipment	8	1,422,430	2,568,439
General exploration	7	279,550	2,990,586
Finance expense of decommissioning liabilities	9	30,354	26,034
Reversal of revision of estimate for decommissioning costs	9	(212,435)	-
General and administrative		1,322,098	1,538,434
Share-based compensation	10(c)	22,623	655,632
		5,709,659	11,100,494
Loss before other income (expenses)		(4,261,516)	(6,918,081)
Other income (expenses)			
Interest income		67,515	114,456
Foreign exchange		390,845	661,925
Equity loss in associated company	6	(68,500)	-
Loss on sale of investment	7(c)	-	(298,247)
Provision on advance	7(c)	-	(119,488)
		389,860	358,646
Loss before deferred income tax		(3,871,656)	(6,559,435)
Deferred income tax	12	-	(25,000)
Net loss for the year		(3,871,656)	(6,584,435)
Other comprehensive loss			
Change in currency translation of foreign subsidiary		(808,284)	(517,675)
Change in fair value of investment	7(c)	-	(194,945)
Comprehensive loss for the year		(4,679,940)	(7,297,055)
Basic and diluted loss per common share		$(0.04)	$(0.07)
Weighted average number of common shares outstanding		90,123,552	92,244,194

The accompanying notes are an integral part of these consolidated financial statements.

EAST WEST PETROLEUM CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)

Year Ended March 31, 2016

	Share Capital		Reserves			
	Number of Shares	Amount $	Share-Based Compensation $	Foreign Currency Translation $	Deficit $	Total Equity $
Balance at March 31, 2015	90,654,165	40,344,281	5,008,538	320,538	(27,758,017)	17,915,340
Repurchase of common shares	(1,068,500)	(475,520)	-	-	363,447	(112,073)
Share-based compensation	-	-	22,623	-	-	22,623
Currency translation adjustment	-	-	-	(808,284)	-	(808,284)
Net loss for the year	-	-	-	-	(3,871,656)	(3,871,656)
Balance at March 31, 2016	89,585,665	39,868,761	5,031,161	(487,746)	(31,266,226)	13,145,950

Year Ended March 31, 2015

	Share Capital		Reserves				
	Number of Shares	Amount $	Share-Based Compensation $	Foreign Currency Translation $	Available-for-Sale Investment $	Deficit $	Total Equity $
Balance at March 31, 2014	93,108,665	41,436,619	4,352,906	838,213	194,945	(21,894,117)	24,928,566
Repurchase of common shares	(2,454,500)	(1,092,338)	-	-	-	720,535	(371,803)
Share-based compensation	-	-	655,632	-	-	-	655,632
Unrealized loss on investment	-	-	-	-	(84,155)	-	(84,155)
Deferred income tax on unrealized loss on investment	-	-	-	-	25,000	-	25,000
Reclassification on sale of investment	-	-	-	-	(135,790)	-	(135,790)
Currency translation adjustment	-	-	-	(517,675)	-	-	(517,675)
Net loss for the year	-	-	-	-	-	(6,584,435)	(6,584,435)
Balance at March 31, 2015	90,654,165	40,344,281	5,008,538	320,538	-	(27,758,017)	17,915,340

The accompanying notes are an integral part of these consolidated financial statements.

EAST WEST PETROLEUM CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	Year Ended March 31, 2016 $	2015 $
Operating activities		
Net loss for the year	(3,871,656)	(6,584,435)
Adjustments for:		
Depletion and depreciation	2,845,039	2,817,737
Impairment of exploration and evaluation assets	-	503,632
Impairment of property, plant and equipment	1,422,430	2,568,439
Finance expense of decommissioning liabilities	30,354	26,034
Share-based compensation	22,623	655,632
Foreign exchange	(10,190)	5,782
Loss on sale of investment	-	298,247
Provision on deposit	-	119,488
Deferred income tax	-	25,000
Reversal of revision of estimate for decommissioning costs	(212,435)	-
Equity loss in associated company	68,500	-
Changes in non-cash working capital items:		
Amounts receivable	452,716	1,074,225
GST receivable	7,853	473,706
Prepaid expenses	65,091	(17,155)
Deposits	-	40,165
Accounts payable and accrued liabilities	(144,377)	(1,627,348)
Net cash provided by operating activities	675,948	379,149
Investing activities		
Expenditures on exploration and evaluation assets	(294,284)	(1,165,838)
Expenditures on property, plant and equipment	(270,305)	(1,920,672)
Advances receivable	(104,814)	(209,270)
Investment in associated company	(324,042)	-
Decrease (increase) in deposit	-	(16,533)
Net revenues capitalized during pre-commercial production	-	45,680
Proceeds from sale of investment	-	200,253
Repayment to joint venture partner	-	(458,463)
Net cash used in investing activities	(993,445)	(3,524,843)
Financing activity		
Repurchase of common shares	(112,073)	(371,803)
Net cash used in financing activity	(112,073)	(371,803)
Effect of exchange rate changes on cash	(276,620)	(355,191)
Net change in cash	(706,190)	(3,872,688)
Cash at beginning of year	8,401,122	12,273,810
Cash at end of year	7,694,932	8,401,122

Supplemental cash flow information - See Note 16

The accompanying notes are an integral part of these consolidated financial statements.

1. Nature of Operations

East West Petroleum Corp. (the "Company") was incorporated on October 23, 1987 under the provisions of the Company Act (British Columbia) and its major activity is the development and exploration of international oil and gas properties. The Company is listed and trades on the TSX Venture Exchange ("TSXV") under the symbol "EW". The Company's principal office is located at #1210 - 1095 West Pender Street, Vancouver, British Columbia V6E 2M6 Canada.

The Company is in the process of exploring, developing and producing from its oil and gas properties and has two oil and gas properties that contain reserves that are economically recoverable. The success of the Company's exploration and development of its oil and gas properties requires significant additional exploration and development activities to establish additional proved reserves and to commercialize its oil and gas exploration properties. The Company is also influenced by significant financial risks as well as commodity prices. In addition, the Company will use cash and operating cash flow to further explore and develop its properties towards planned principal operations. The Company monitors its cash and cash equivalents and adjusts its expenditure plans to conform to available funding. The Company plans to fund exploration and development activities through existing cash resources.

2. Basis of Preparation

Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

Basis of Presentation

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value. The consolidated financial statements are presented in Canadian dollars unless otherwise stated.

Significant Accounting Estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and the disclosure of contingencies. Such estimates primarily relate to unsettled transactions and events as of the date of the consolidated financial statements. These estimates are subject to measurement uncertainty. Actual results could differ from and affect the results reported in these consolidated financial statements. Significant judgments, estimates and assumptions made by management in the preparation of these financial statements are described below:

(i) Fair values of petroleum and natural gas properties, depletion and depreciation and amounts used in impairment calculations are based on estimates of crude oil and natural gas reserves, oil and gas prices and future costs required to develop those reserves. By their nature, estimates of reserves and the related future cash flows are subject to measurement uncertainty, and the impact of differences between actual and estimated amounts on the consolidated financial statements of future periods could be material.

(ii) Petroleum and natural gas properties, exploration and evaluation assets and other corporate assets are aggregated into cash-generating-units ("CGUs") based on their ability to generate largely independent cash flows and are used for impairment testing. The determination of the Company's CGUs is subject to management's judgment.

(iii) The decision to transfer exploration and evaluation assets to property, plant and equipment is based on management's determination of an area's technical feasibility and commercial viability based partially on proved and probable reserves.

2. Basis of Preparation (continued)

(iv) The calculation of decommissioning liabilities includes estimates of the future costs to settle the liability, the timing of the cash flows to settle the liability, the risk-free rate and the future inflation rates. The impact of differences between actual and estimated costs, timing and inflation on the consolidated financial statements of future periods may be material.

(v) The estimated fair value of the Company's financial assets and liabilities, are by their nature, subject to measurement uncertainty.

(vi) The calculation of income taxes requires judgment in applying tax laws and regulations, estimating the timing of the reversals of temporary differences, and estimating the realizability of deferred tax assets. These estimates impact current and deferred income tax assets and liabilities, and current and deferred income tax expense (recovery).

(vii) The calculation of share-based compensation requires estimates of volatility, forfeiture rates and market prices surrounding the issuance of share options. These estimates impact share-based compensation expense and share-based compensation reserve.

(viii) The determination of a subsidiary's functional currency often requires significant judgment where the primary economic environment in which they operate may not be clear. This can have a significant impact on the consolidated results of the Company based on the foreign currency translation methods used.

(ix) Classification of investments requires judgment on whether the Company controls, has joint control or significant influence over the strategic financial and operating decisions relating to the activity of the investee. In assessing the level of control or influence that the Company has over an investment, management considers ownership percentages, board representation as well as other relevant provisions in shareholder agreements. If an investor holds 20% or more of the voting power of the investee, it is presumed that the investor has significant influence, unless it can be clearly demonstrated that this is not the case. Conversely, if the investor holds less than 20% of the voting power of the investee, it is presumed that the investor does not have significant influence, unless such influence can be clearly demonstrated.

The Company has classified its investment in Advantage Lithium Corp. ("Advantage Lithium") (*formerly North South Petroleum Corp*.) as an associated company based on management's judgment that the Company has significant influence, based on rights to board representation.

(x) Contingencies are resolved only when one or more events transpire. As a result, the assessment of contingencies inherently involves estimating the outcome of future events.

Details of the Group

In addition to the Company, these consolidated financial statements include all subsidiaries. Subsidiaries are all corporations over which the Company is able, directly or indirectly, to control financial and operating policies, which is the authority usually connected with holding majority voting rights. Subsidiaries are fully consolidated from the date on which control is acquired by the Company. Inter-company transactions and balances are eliminated upon consolidation. They are de-consolidated from the date that control by the Company ceases.

Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when a Company typically holds between 20 and 50 percent of the voting power of another entity. Investments in associates are accounted for using the equity method (equity accounted investees) and are recognized initially at cost. These consolidated financial statements include the Company's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Company from the date that significant influence or joint control commences, until the date that significant influence or joint control ceases. When the Company's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and

2. Basis of Preparation (continued)

the recognition of further losses is discontinued, except to the extent that the Company has an obligation, or has made payments on behalf of the investee.

The Company accounts for its investment in Advantage Lithium using the equity method. See also Note 6.

3. Summary of Significant Accounting Policies

Cash and Cash Equivalents

Cash includes cash on hand and demand deposits. Cash equivalents include short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. The Company is not exposed to significant credit or interest rate risk although cash is held in excess of federally insured limits with a major financial institution. The Company did not have any cash equivalents as at March 31, 2016 and 2015.

Amounts Receivable

Receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. Receivables are classified as loans and receivables. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

Accounts Payable and Accrued Liabilities

Payables are obligations to pay for materials or services that have been acquired in the ordinary course of business from suppliers. Payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Payables are classified as other financial liabilities initially at fair value and subsequently measured at amortized cost using the effective interest method.

Exploration and Evaluation Expenditures

Pre-license costs are recognized in the statement of comprehensive loss as incurred. Exploration and evaluation expenditures directly attributable to the exploration for petroleum and natural gas reserves are capitalized as exploration and evaluation assets on a field-by-field basis. These costs include, but are not limited to: lease acquisition either directly or by business combination, lease rentals on undeveloped properties, acquisition of rights to explore, geological, and geophysical costs, exploratory drilling of both productive and unproductive wells and overhead charges. No depletion or amortization is charged during the exploration and evaluation phase.

Exploration and evaluation expenditures are capitalized until reserves are evaluated and determined to be commercially viable and technically feasible. If reserves are not identified, these costs are expensed. The balance of exploration and evaluation expenditures is carried forward as an exploration and evaluation asset in the statement of financial position where the resource rights are current and it is considered probable that costs will be recovered through the future development or sale of the property.

If it is determined that a commercial discovery of reserves will not be achieved, the capitalized exploration and evaluation assets are written down to their recoverable amounts. Where commercial discovery of reserves has been made, the exploration and evaluation assets are tested for impairment and transferred to property, plant and equipment as petroleum and natural gas properties.

3. Summary of Significant Accounting Policies (continued)

Property, Plant and Equipment

Property, plant and equipment are carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Where commercial production in an area has commenced, petroleum and natural gas properties are depreciated on a unit-of-production basis over the proved and probable reserves of the field concerned, except in the case of assets whose useful life is shorter than the lifetime of the field, in which case the straight-line method is applied. The unit-of-production rate for the amortization of field development costs takes into account expenditures incurred to date, plus future development expenditures to develop the proved and probable reserves. Changes in factors such as estimates of proved reserves that affect unit-of-production calculations do not give rise to prior year financial period adjustments and are accounted for on a prospective basis.

Office equipment and leasehold improvements are depreciated annually on a straight-line basis over the estimated useful life of the assets, at a rate of between 20% and 30% commencing when the related asset is available for use.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss in the consolidated statement of comprehensive loss.

Where an item of plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of plant and equipment. Expenditures incurred to replace a component of an item of plant and equipment that is accounted for separately, including major inspection and overhaul expenditures are capitalized.

Joint Operations

A portion of the Company's operations are conducted jointly with others and, accordingly, these consolidated financial statements reflect only the Company's proportionate interest in such activities.

Impairment of Assets

Non-Financial Assets

The Company reviews the carrying amounts of its non-financial assets, other than exploration and evaluation assets and deferred tax assets, at each reporting date to determine whether there is any indication of impairment. If such indication exists, then the asset's recoverable amount is estimated. For goodwill and other intangible assets that have indefinite lives or that are not yet available for use, an impairment test is completed annually. Exploration and evaluation assets are tested for impairment when reclassified to property, plant and equipment as petroleum and natural gas properties, and also if facts and circumstances suggest that the carrying value exceeds the recoverable amount.

For the purpose of impairment testing, assets are grouped together into the lowest level at which there is identifiable cash flows that are largely independent of the cash flows of other groups of assets, known as a cash-generating unit ("CGU"). Exploration and evaluation assets are grouped on an area basis for impairment assessment purposes. The goodwill acquired in a business combination, for the purposes of impairment testing, is allocated to the CGU's that are expected to benefit from the synergies of the combination.

3. Summary of Significant Accounting Policies (continued)

An impairment loss is recognized if the asset or CGU's carrying amount exceeds its recoverable amount determined as the higher of: its fair value less costs to sell, and its value in use. In assessing value in use, the estimated future after-tax cash flows are adjusted for the risks specific to the asset group and are discounted to present value using a discount rate that reflects current market assessments of the time value of money. Fair value less costs to sell is based on discounted cash flow forecasts using market assumptions, including market assessment of reserves, future prices and a risk-adjusted discount rate appropriate to the asset by reference to general market conditions, market expectations of current and future development, and the costs of future development. Impairment losses are recognized in the statement of comprehensive loss.

For other assets, impairment losses recognized in prior years are assessed at each reporting date for indications that previously recognized impairment losses may no longer exist or may have decreased. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. The impairment loss is reversed only to the extent that the asset's or CGU's carrying amount does not exceed the carrying amount that would have been determined, net of depletion, had no impairment loss been recognized in prior years. An impairment loss in respect of goodwill is not reversed.

Financial Assets

Financial assets are assessed for impairment at each reporting date to determine whether there is any objective evidence that they are impaired. Objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset and will not be realized. For loans and receivables, the amount of impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate.

If there is impairment, the carrying amount of the financial asset is reduced by the impairment loss, except for trade receivables where the carrying amount is reduced through the use of an allowance account, and the loss is recognized in the statement of comprehensive loss. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the statement of comprehensive loss

Decommissioning Liabilities

Liabilities for decommissioning costs are recognized when the Company has an obligation to dismantle or remove a facility and to restore the site on which it is located, and when a reliable estimate of that liability can be made. Cost is estimated upon current regulation and technology. Normally an obligation arises for a new facility or well during the construction or installation phase. Obligations may also be created through a change in legislation. The amount recognized is the fair value of the estimated future cost determined in accordance with local conditions and requirements.

Fair value is determined using the present value of the estimated future cash outflows to abandon the asset and restore the site, discounted using a pre-tax risk-free rate. Costs and the discount rate are updated at each reporting date to reflect current market assessments of the time value of money. The provision is reviewed regularly by the Company's management based on current regulations, costs, technologies and industry standards.

The corresponding amount is capitalized to petroleum and natural gas assets and is amortized on a unit-of-production basis as part of depletion and depreciation. Any adjustments arising from the reassessment of estimated costs or the current estimate of the discount rate used are reflected as an adjustment to the cost of petroleum and natural gas assets. The unwinding of the discount is recognized as a finance cost in income. Actual restoration expenditures are charged as reductions to the accumulated provision when incurred.

Provisions

Provisions are recognized when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect of time is material.

3. Summary of Significant Accounting Policies (continued)

Financial Instruments

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available-for-sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through comprehensive loss. Cash is classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity are measured at amortized cost. Amounts and advances receivable are classified as loans and receivables.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. At March 31, 2016 and 2015 the Company has not classified any financial assets as available-for-sale.

Transaction costs associated with FVTPL are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities.

Financial liabilities classified as FVTPL are measured at fair value with unrealized gains and losses recognized through comprehensive loss. At March 31, 2016 and 2015 the Company has not classified any financial liabilities as FVTPL.

Investments in Associated Companies

The Company accounts for its long-term investments in affiliated companies over which it has significant influence on the equity basis of accounting, whereby the investment is initially recorded at cost, adjusted to recognize the Company's share of earnings or losses and reduced by dividends received.

The Company assesses its equity investments for impairment if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the equity investment and that the event or events has an impact on the estimated future cash flow of the investment that can be reliably estimated. Objective evidence of impairment of equity investments includes:

(i) significant financial difficulty of the associated companies;
(ii) becoming probable that the associated companies will enter bankruptcy or other financial reorganization; or
(iii) national or local economic conditions that correlate with defaults of the associated companies.

Share Capital

Common shares issued by the Company are classified as equity. Costs directly attributable to the issue of common shares, share purchase warrants and share options are recognized as a deduction from equity, net of any related income tax effects.

3. Summary of Significant Accounting Policies (continued)

Share-Based Compensation Transactions

The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of share options granted is recognized as a share-based compensation expense with a corresponding increase in the equity settled share-based payments reserve in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

For employees the fair value is measured at grant date and each tranche is recognized separately on a straight line basis over the period during which the share options vest. The fair value of the share options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the share options were granted. At the end of each reporting period, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Equity-settled share-based compensation transactions with non-employees are measured at the fair value of the goods or services received. However, if the fair value cannot be estimated reliably, the share-based compensation transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or the services.

Contingencies

When a contingency is substantiated by confirming events, can be reliably measured and will likely result in an economic outflow, a liability is recognized in the consolidated financial statements as the best estimate required to settle the obligation. A contingent liability is disclosed where the existence of an obligation will only be confirmed by future events, or where the amount of a present obligation cannot be measured reliably or will likely not result in an economic outflow. Contingent assets are only disclosed when the inflow of economic benefits is probable. When the economic benefit becomes virtually certain, the asset is no longer contingent and is recognized in the consolidated financial statements.

Current and Deferred Income Tax

Income tax expense comprises current and deferred tax. Income tax is recognized separately in the statement of comprehensive loss, except to the extent that it relates to items recognized in other comprehensive loss or directly in equity. In this case the income tax is also recognized in other comprehensive loss or directly in equity, respectively.

Current Income Tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred Income Tax

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax relating to items recognized directly in equity or other comprehensive income ("OCI") is recognized in equity or OCI and not in the statement of comprehensive loss.

3. Summary of Significant Accounting Policies (continued)

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Earnings (Loss) Per Share

Basic earnings (loss) per share is computed by dividing income (loss) attributable to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted earnings (loss) per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on loss per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted earnings (loss) per share, when diluted earnings (loss) per share is presented.

Revenue Recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Company and delivery has occurred, the sale price is fixed or determinable, and collectability is reasonably assured. These criteria are generally met at the time the product is shipped and delivered to the customer and, depending on the delivery conditions, title and risk have passed to the customer and acceptance of the product, when contractually required, has been obtained. Revenue is measured based on the sales contract.

Foreign Currency Translation

Functional and Presentation Currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Company's entities' functional currencies are the Canadian dollar and the New Zealand dollar. The consolidated financial statements are presented in Canadian dollars which is the Company's presentation currency.

(i) East West Petroleum (NZ) Limited ("EWNZ")

EWNZ has the New Zealand dollar as the functional currency. Assets and liabilities of EWNZ are therefore translated into Canadian dollars using the report date closing exchange rate. Income and expenses are translated into Canadian dollars at the average exchange rate over the reporting period. Exchange differences are presented in other comprehensive loss and recognized in the foreign currency translation reserve.

(ii) Other Subsidiaries

The financial statements of each of the Company's other subsidiaries are prepared in the local currency of their home jurisdictions. Consolidation of each subsidiary includes re-measurement from the local currency to the subsidiary's functional currency. Each subsidiary's functional currency and the functional currency of the parent, being the currency of the primary economic environment in which the subsidiary and the parent operates, is the Canadian dollar.

(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies (continued)

Foreign Currency Transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in comprehensive loss.

Accounting Standards and Interpretations Issued but Not Yet Adopted

As at the date of these financial statements, the following standards have not been applied in these financial statements:

(i) The completed version of IFRS 9, *Financial Instruments*, was issued in July 2014. The completed standard provides for revised guidance on the classification and measurement of financial assets. It also introduces a new expected credit loss model for calculating impairment for financial assets. The new hedging guidance that was issued in November 2013 is incorporated into this new final standard. This final version of IFRS 9 will be effective for periods beginning on or after January 1, 2018, with early adoption permitted.

(ii) IFRS 15 outlines the principles for recognizing revenue from contracts with customers. The new standard establishes a new five-step model for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. This new standard is effective for annual periods beginning on or after January 1, 2018, and is applicable to all entities and will supersede all current revenue recognition requirements under IFRS.

Management is currently assessing the impact of these new standards on the Company's accounting policies and financial statement presentation.

4. Amounts Receivable

	March 31, 2016 $	March 31, 2015 $
Production receivable	254,563	714,729
Other	34,690	39,541
	289,253	754,270

5. Advances Receivable

On March 6, 2015 the Company entered into a letter of intent (the "LOI") with Frontier Natural Resources Inc. ("Frontier") whereby it provided Frontier a credit facility of US $250,000 (the "Credit Facility"). The advances under the Credit Facility bear interest at 3% per annum. On December 31, 2015 the advances became due and payable. The Company has not demanded repayment and has the option to convert the advances and outstanding interest into Class A Preferred Shares of Frontier at a conversion price of US $0.20 per share. The conversion feature is considered an embedded derivative. However, the Company is unable to reliably measure its fair value. Therefore, the fair value of the host advances receivable was determined with any residual against the fair value of the combined hybrid instrument allocated to the embedded derivative. The value of the embedded derivative was immaterial.

As at March 31, 2016 the Company had advanced US $250,000 (2015 - US $165,000). During fiscal 2016 the Company recorded interest income of $9,636 (2015 - $214). Frontier paid US $6,250 of accrued interest during fiscal 2016 and, as at March 31, 2016, $1,623 (2015 - $214) of interest remained unpaid and is included in amounts receivable.

(Expressed in Canadian Dollars)

5. Advances Receivable (continued)

In fiscal 2016 Frontier issued a bonus of 250,000 Class B Preferred Shares to the Company at a fair value of $nil.

Frontier is a privately held oil and natural gas company incorporated in Pennsylvania, U.S.A. in 2014. A director of the Company is also a shareholder and director of Frontier.

6. Investment in Associated Company

On April 7, 2015 the Company purchased an initial 3,900,000 common shares of Advantage Lithium for $195,000 pursuant to a non-brokered private placement conducted by Advantage Lithium, a public company trading on the NEX board of the TSXV. On closing of the initial purchase the Company owned 16.74% of the outstanding common shares of Advantage Lithium. The President and a director of the Company were subsequently appointed as directors of Advantage Lithium.

Since the initial purchase the Company has acquired a further 626,500 common shares of Advantage Lithium through open market purchases for a total consideration of $129,042, and, as at March 31, 2016, the Company owned 4,526,500 common shares of Advantage Lithium, approximately 19.43% of the issued and outstanding common shares of Advantage Lithium. The Company's judgment is that it has significant influence in the operations of Advantage Lithium and, accordingly, the investment in Advantage Lithium is accounted for under the equity method.

A reconciliation of the Company's investment in Advantage Lithium is as follows:

	$
Balance at March 31, 2015	-
Initial private placement investment	195,000
Additional investments	129,042
	324,042
Equity loss in Advantage Lithium	(68,500)
Balance at March 31, 2016	255,542

Advantage Lithium's aggregate assets, aggregate liabilities as at March 31, 2016 and net loss for the period from April 9, 2015 to March 31, 2016 are as follows:

	$
Aggregate assets	1,011,000
Aggregate liabilities	(18,000)
Net loss for the period	(386,500)
Company's share of net loss during the period	(68,500)

See also Note 18(b).

(Expressed in Canadian Dollars)

7. Exploration and Evaluation Assets

	New Zealand		United States		
	PEP 54879 $	PEP 55770 $	Tejon Main Area $	White Wolf $	Total $
Balance at March 31, 2014	5,666,415	-	122,154	318,121	6,106,690
Capital expenditures	289,744	63,357	-	-	353,101
Net revenues pre-commercial discovery	(44,972)	-	-	-	(44,972)
Revision of estimate for decommissioning liabilities	(8,134)	-	-	-	(8,134)
Foreign exchange movement	(67,941)	-	-	-	(67,941)
Impairment	-	(63,357)	(122,154)	(318,121)	(503,632)
Balance at March 31, 2015	5,835,112	-	-	-	5,835,112
Capital expenditures	246,441	-	-	-	246,441
Revision of estimate for decommissioning liabilities	(4,965)	-	-	-	(4,965)
Foreign exchange movement	(296,586)	-	-	-	(296,586)
Balance at March 31, 2016	5,780,002	-	-	-	5,780,002

(a) On December 11, 2012 the Government of New Zealand awarded the Company and its partner, TAG Oil Ltd. ("TAG"), interests in three onshore exploration blocks located in the Taranaki Basin, New Zealand. Under the terms of the agreements, the Company agreed to participate in the drilling of a minimum of nine exploration wells on Petroleum Exploration Permits ("PEP") 54876, 54877 and 54879. The Company could earn a 50% participation interest in PEP 54876 and PEP 54879 and a 30% participation interest in PEP 54877 by funding 100% ($2,500,000 each well - the "Initial Funding") of the initial well cost on PEP 54876, the first two wells on PEP 54877 and the initial well on PEP 54879. All subsequent costs on the wells are to be funded based on each company's participation interest. The Company is entitled to receive 100% of the oil and gas revenues, on a permit-by-permit basis, to recover its Initial Funding. TAG is the operator of the joint venture.

PEP 54876

In April 2014 the Company completed drilling on PEP 54876, the results of which confirmed that there were no commercial deposits. As at March 31, 2014 the Company incurred a total of $2,499,100 and an impairment of this amount was recorded in fiscal 2014. In fiscal 2015 the Company incurred $2,732,060 of costs on PEP 54876 which have been recorded as a charge to general exploration.

PEP 54877

On January 7, 2014 commercial discovery was declared on PEP 54877 and the capitalized expenditures were transferred to property, plant and equipment.

PEP 54879

No decision has been made on the commerciality of PEP 54879 and all net revenues have been recorded as a recovery against the capitalized costs. During fiscal 2015 the Company received net revenues of $44,972 from production from the testing of the G1 well on PEP 54879. No revenue was received during fiscal 2016.

(b) On December 5, 2013 the Government of New Zealand awarded the Company and its partner, TAG, an interest in an onshore exploration block located in the East Coast Basin, New Zealand. Under the terms of the agreement, the Company agreed to participate in the initial work program of seismic reprocessing, seismic data acquisition and drilling of one exploration well on PEP 55770. In December 2014 the Company and TAG agreed to the termination of the Company's interest and the Company recorded an impairment of $63,357 in fiscal 2015 for costs incurred.

7. Exploration and Evaluation Assets (continued)

(c) On August 29, 2012 the Company entered into a letter of intent with Lani, LLC ("Lani") and subsequently, on November 13, 2012, the Company entered into a farm-in agreement (collectively the "Lani Agreement") whereby it was assigned certain participation interests in Lani's petroleum and gas leases covering exploration properties in the San Joaquin Basin of California. Under the terms of the Lani Agreement the Company was assigned:

(i) 25% working interest in the Tejon Ranch Extension. The Company funded 100% of the working interest costs associated with the drilling and completing of one exploration well on the Tejon Ranch Extension leases, for an amount of US $1,300,000;

(ii) an initial 21.25% working interest in the Tejon Main Area. On August 1, 2013 the Company entered into a purchase and sale agreement with Solimar Energy Limited ("Solimar") a party at arms-length to the Company, whereby the Company paid US $110,000 to Solimar to acquire an additional 28.75% working interest to increase the Company's working interest to 50%. The Company was required to fund 71.25% of the working interest costs associated with the drilling and completing one exploration well on the Tejon Main Area leases, up to a maximum of US $926,250; and

(iii) 50% working interest in leases in the White Wolf. The Company was required to fund US $347,500 to Lani to be used for lease delay rental payments and for leasing new acreage in White Wolf.

On November 20, 2012 Lani and North American Oil and Gas Corp. ("NAMG") entered into an agreement and plan of merger whereby NAMG acquired 100% of Lani. In conjunction with the terms of the Lani Agreement the Company purchased 5,000,000 common shares of NAMG for $498,500 (US $500,000). During fiscal 2015 the Company recorded a net unrealized comprehensive loss of $194,945, net of deferred income tax recovery of $25,000, and sold the shares of NAMG for proceeds of $200,253 recognizing a realized loss of $298,247.

NAMG is the operator of the subject leases. NAMG has been unsuccessful in obtaining sufficient financing to proceed with further exploration and development of the properties. In light of this uncertainty and results to date on the other properties during fiscal 2015 the Company recorded impairment charges of $122,154 on the Tejon Main Area and $318,121 on White Wolf.

The Lani Agreement also required the Company to advance up to US $300,000 to NAMG for working capital purposes. These advances are non-interest bearing and are repayable from production revenues or equity financing conducted by NAMG, whichever comes first. During fiscal 2014 the Company completed the advances to NAMG and was subsequently repaid US $193,390. Due to NAMG's financial situation, during fiscal 2015 the Company recorded a provision of $119,488 on the remaining outstanding balance.

(d) During fiscal 2010 the Company was informed by the government of Romania that it had been awarded four exploration blocks located in the Pannonian Basin, in western Romania. In May 2011 the Company signed petroleum concession agreements with the National Agency for Minerals and Hydrocarbons ("NAMR") the government agency in Romania which regulates the oil and gas industry.

The four concessions have specific mandatory work programs (the "Romania Work Programs"), which were estimated at US $56,630,000 for all four programs, to be completed over two years from final approval. Production from the concessions is also subject to royalties of between 3.5% to 13.5% based on quarterly gross production payable to the government.

On May 20, 2011 the Company and Naftna Industrija Srbije j.s.c. Novi Sad ("NIS"), an arm's length corporation, signed a memorandum of understanding to jointly explore the four exploration blocks in Romania. On October 27, 2011 the Company and NIS signed a farm-out agreement (the "Farm-out"). Under the terms of the Farm-out, NIS has paid the Company a total of $525,000 for the assignment of an 85% participation interest and operatorship of the Romania Work Programs to NIS. NIS has the obligation to fund the Romania Work Programs, including environmental work, 2D and 3D seismic acquisition and processing, and the drilling of 12 wells. The Company retains a 15% carried interest in each block through the obligatory two year Phase I work

(Expressed in Canadian Dollars)

7. Exploration and Evaluation Assets (continued)

program and the optional one year Phase II work program. If a commercial discovery is made, the Company is responsible for its 15% interest in development of the commercial discovery.

NAMR has granted an extension until June 2017 to conduct the Phase I work program for the exploration block, EX-2 Tria.

(e) Effective March 28, 2012 the Company (10% interest), Oil India Limited (40% interest), Oil and Natural Gas Corporation Limited (30% interest) and Gail (India) Limited (20% interest) (collectively the "Partners") and the government of India signed a production sharing contract (the "PSC") for Block AA-ONN-2010/2 (the "AA Block") located in the Assam-Arakan Basin of northeast India. Under the terms of the PSC work program commitment, the Partners were to acquire certain 3D seismic data and drill two wells, at an estimated cost to the Company of US $2.8 million, over a five year period. In January 2015 the petroleum exploration license for the AA Block was signed. In July 2015 the Company provided notice that it would be withdrawing from the PSC. On April 27, 2016 Oil India Limited agreed to an assignment of the Company's 10% interest for $nil consideration.

8. Property, Plant and Equipment

	Petroleum and Natural Gas Properties		Office Equipment and Leasehold Improvements	
	PEP 54877	**Carbon**		**Total**
	$	**$**	**$**	**$**
Cost:				
Balance at March 31, 2014	8,703,700	1,195,693	52,128	9,951,521
Capital expenditures	1,759,144	-	1,796	1,760,940
Revision of estimate for decommissioning costs	48,565	12,418	-	60,983
Foreign exchange movement	(30,122)	-	-	(30,122)
Balance at March 31, 2015	10,481,287	1,208,111	53,924	11,743,322
Capital expenditures	361,367	-	-	361,367
Revision of estimate for decommissioning costs	411,272	13,255	-	424,527
Foreign exchange movement	(565,855)	-	-	(565,855)
Balance at March 31, 2016	10,688,071	1,221,366	53,924	11,963,361
Accumulated Depletion and Depreciation and Impairment:				
Balance at March 31, 2014	(1,298,069)	(656,799)	(40,235)	(1,995,103)
Depletion and depreciation	(2,705,010)	(100,812)	(11,915)	(2,817,737)
Impairment	(2,507,939)	(60,500)	-	(2,568,439)
Foreign exchange movement	(154,286)	-	-	(154,286)
Balance at March 31, 2015	(6,665,304)	(818,111)	(52,150)	(7,535,565)
Depletion and depreciation	(2,646,431)	(196,834)	(1,774)	(2,845,039)
Impairment	(1,216,009)	(206,421)	-	(1,422,430)
Foreign exchange movement	288,500	-	-	288,500
Balance at March 31, 2016	(10,239,244)	(1,221,366)	(53,924)	(11,514,534)
Carrying Value:				
Balance at March 31, 2015	3,815,983	390,000	1,774	4,207,757
Balance at March 31, 2016	448,827	-	-	448,827

(Expressed in Canadian Dollars)

8. Property, Plant and Equipment (continued)

(a) Effective September 1, 2010 the Company executed a purchase and sale agreement with Sphere Energy Corp. ("Sphere"), a private company, whereby the Company paid $1,125,000 to acquire Sphere's working interests, ranging from 4.12% to 20%, in four producing oil wells and fourteen gas wells (the "Carbon Property") located northeast of Calgary, Alberta.

(b) An impairment test is performed on capitalized property, plant and equipment costs at a CGU level when indicators of impairment exist. Impairment is calculated as the difference in the CGU's carrying value and its recoverable amount.

During fiscal 2016 the Company recognized an impairment of $206,421 (2015 - $60,500) on the Carbon Property to a $nil (2015 - $390,000) carrying value, as the Carbon Property was uneconomical and the Company has no intention of further development, resulting in no expected material future production and cash flow.

During fiscal 2016 the Company recognized an impairment of $1,216,009 (2015 - $2,507,939) on PEP 54877 based on the estimated fair value less costs to sell and was determined using estimated future cash flows based on estimated proven developed ("1P") reserves, discounted at 10%.

9. Decommissioning Liabilities

	Year Ended March 31, 2016 $	Year Ended March 31, 2015 $
Balance, beginning of year	1,062,292	995,388
Finance cost	30,354	26,034
Expenditures incurred	(49,238)	-
Revision of estimate	190,855	47,490
Foreign exchange movement	(50,470)	(6,620)
Balance, end of year	1,183,793	1,062,292

The total amount of estimated undiscounted cash flows required to settle the Company's estimated obligation is $1,229,626 (2015 - $1,190,800) which has been discounted using a pre-tax risk-free rate of 2.25% (2015 - 3.5%) and an inflation rate of 1.016% (2015 - 1.016%). The present value of the decommissioning liabilities may be subject to change based on management's current estimates, changes in remediation technology or changes to the applicable laws and regulations. Such changes will be recorded in the accounts of the Company as they occur.

During fiscal 2016 the Company revised its estimates on the decommissioning liabilities related to PEP 54876 and the exploration and evaluation properties located in the U.S. which were impaired in fiscal 2014 and 2015, respectively; accordingly, the Company recorded a recovery totalling $212,435 (2015 - $nil).

The total future asset decommissioning obligations were estimated based on the Company's net ownership interest in all wells and facilities, the estimated costs to abandon and reclaim the wells and facilities and the estimated timing of the costs to be incurred in future years. These liabilities will be settled at various dates which are currently expected to extend up to 2030. Settlement of the liabilities is expected to be funded from general corporate funds at the time of retirement.

10. Share Capital

(a) *Authorized Share Capital*

The Company's authorized share capital consisted of an unlimited number of common shares without par value. All issued common shares are fully paid.

(Expressed in Canadian Dollars)

10. Share Capital (continued)

(b) *Reconciliation of Changes in Share Capital*

No equity financings were conducted by the Company during fiscal 2016 or fiscal 2015.

During fiscal 2016 the Company repurchased a total of 1,068,500 common shares for $112,073 cash consideration pursuant to its normal course issuer bid ("NCIB"). The average cost of the common shares repurchased was $0.10 per share. The difference between the purchase price and the carrying value of the common shares was $363,446.

During fiscal 2015 the Company repurchased a total of 2,454,500 common shares for $371,803 cash consideration pursuant to its NCIB. The average cost of the common shares repurchased was $0.15 per share. The difference between the purchase price and the carrying value of the common shares was $720,535.

(c) *Share Option Plan*

The Company has established a fixed share option plan (the "Plan"), in which a total of 12,408,697 common shares have been reserved for issuance under the Plan. The minimum exercise price of the share options is set at the Company's closing share price on the day before the grant date, less allowable discounts in accordance with the policies of the TSXV. Options granted may be subject to vesting provisions as determined by the Board of Directors and have a maximum term of ten years from the date of grant.

During fiscal 2016 the Company granted 251,000 (2015 - 5,308,000) share options and recorded compensation expense of $14,385 (2015 - $588,050) on the granting and vesting of share options. In addition, during fiscal 2016, the Company recorded a compensation recovery of $11,902 on the reversal of prior year's compensation expense previously recorded on forfeited unvested share options.

The fair value of share options granted and vested is estimated using the Black-Scholes option pricing model using the following assumptions:

	2016	2015
Risk-free interest rate	0.70% - 0.84%	0.97% - 1.58%
Estimated volatility	69% - 75%	76% - 98%
Expected life	4 years - 5 years	1 year - 5 years
Expected dividend yield	0%	0%
Estimated forfeiture rate	0%	0%

The weighted average grant date fair value of all share options granted during fiscal 2016 was $0.06 (2015 - $0.11) per share option.

During fiscal 2016 the Company repriced share options previously granted to purchase a total of 1,930,000 common shares, from an original exercise price of $0.18 per share to a revised exercise price of $0.14 per share. The fair value of share options repriced has been estimated using the Black-Scholes option pricing model. The assumptions used were: risk-free interest rate 0.66% - 0.91%; estimated volatility 71% - 82%; expected life 0.3 year - 4.5 years; expected dividend yield 0%; and estimated forfeiture rate 0%. The value assigned to the re-pricing of the share options was $20,140.

During fiscal 2015 the Company repriced share options previously granted to purchase 1,822,000 common shares, from original exercise prices ranging from $0.37 to $0.50 per share to a revised exercise price of $0.18 per share. The fair value of share options repriced has been estimated using the Black-Scholes option pricing model. The assumptions used were: risk-free interest rate 1.01% - 1.32%; estimated volatility 64% - 72%; expected life 0.5 year - 3.5 years; expected dividend yield 0%; and estimated forfeiture rate 0%. The value assigned to the re-pricing of the share options was $67,582.

(Expressed in Canadian Dollars)

10. Share Capital (continued)

A summary of the Company's share options at March 31, 2016 and 2015 and the changes for the years ended on those dates, is as follows:

	2016		2015	
	Number of Options Outstanding	Weighted Average Exercise Price $	Number of Options Outstanding	Weighted Average Exercise Price $
Balance, beginning of year	7,392,000	0.16	7,088,530	0.46
Granted	251,000	0.10	5,308,000	0.14
Forfeited	(334,000)	0.14	(200,001)	0.37
Expired	(1,510,000)	0.20	(4,804,529)	0.34
Balance, end of year	5,799,000	0.14	7,392,000	0.16

The following table summarizes information about the share options outstanding and exercisable at March 31, 2016:

Number Outstanding	Number Exercisable	Exercise Price $	Expiry Date
12,000	12,000	0.40	April 6, 2016
12,000	12,000	0.14	April 6, 2016
650,000	650,000	0.14	April 4, 2018
108,000	72,000	0.14	October 3, 2019
4,900,000	4,900,000	0.14	November 14, 2019
67,000	67,000	0.10	August 25, 2020
50,000	50,000	0.09	November 26, 2020
5,799,000	5,763,000		

See also Note 18(a).

11. Related Party Disclosures

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. Certain of these entities transacted with the Company during the reporting period.

(a) *Transactions with Key Management Personnel*

During fiscal 2016 and 2015 the following amounts were incurred with respect to the Company's President and Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") of the Company:

	2016 $	2015 $
Professional fees	186,000	248,500
Share-based compensation	-	308,383
	186,000	556,883

(Expressed in Canadian Dollars)

11. Related Party Disclosures (continued)

(b) *Transactions with Other Related Parties*

(i) During fiscal 2016 and 2015 the following amounts were incurred with respect to other non-management officers and directors of the Company:

	2016 $	2015 $
Professional fees	321,500	411,000
Share-based compensation	-	252,837
	321,500	663,837

As at March 31, 2016, $16,000 (2015 - $23,000) remained unpaid and has been included in accounts payable and accrued liabilities.

(ii) During fiscal 2015 the Company incurred a total of $60,150 (2015 - $60,550) to Chase Management Ltd. ("Chase"), a private corporation owned by the CFO of the Company, for accounting and administration services provided by Chase personnel, excluding the CFO. As at March 31, 2016, $8,750 (2015 - $9,000) remained unpaid and has been included in accounts payable and accrued liabilities.

(c) The Company previously had an agreement with a public company, Ava Resources Corp. ("Ava") which was related through a common director and officer, to share office premises. On March 31, 2014 Ava was dissolved. During fiscal 2015 the Company recorded the $16,533 rent deposit which was forfeited by Ava as a credit to general and administrative expenses.

(d) See also Notes 5 and 6.

12. Income Tax

A reconciliation of taxes at statutory rates to the Company's effective tax expense is as follows:

	Fiscal 2016 $	Fiscal 2015 $
Loss before income taxes	(3,871,656)	(6,559,435)
Statutory tax rate	26%	26%
Expected income tax recovery	(1,007,000)	(1,705,000)
Permanent differences	8,000	220,000
Effect of change in tax rates in foreign exchange and other	270,000	(126,000)
Adjustment to prior years provision versus statutory tax returns	(462,000)	-
Reclamation bond forfeited	-	(1,006,000)
Losses expired	15,000	21,000
Change in deductible temporary differences	1,176,000	2,621,000
Deferred income tax	-	25,000

(Expressed in Canadian Dollars)

12. Income Tax (continued)

Unrecognized temporary differences:

	March 31, 2016 $	Expiry Thru (Year)	March 31, 2015 $
Allowable capital losses	149,000	N/A	149,000
Share issuance costs	14,000	2020	21,000
Tax losses	27,981,000	*	19,537,000
Other	1,479,000	N/A	1,986,000

* Tax losses of $10,563,000 in New Zealand carry forward indefinitely provided shareholder continuity is maintained. All other losses expire through 2036.

Deferred income tax assets have not been recognized in respect of these items because it is not probable that the Company will be able to generate sufficient taxable income upon which these deferred tax assets can be realized. Tax attributes are subject to review and potential adjustment by tax authorities.

13. Financial Instruments and Risk Management

The nature of the Company's operations expose the Company to credit risk, liquidity risk and market risk, and changes in commodity prices, foreign exchange rates and interest rates may have a material effect on cash flows, net income and comprehensive income.

This note provides information about the Company's exposure to each of the above risks as well as the Company's objectives, policies and processes for measuring and managing these risks.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and to monitor market conditions and the Company's activities. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and policies.

Credit Risk

Credit risk is the risk of financial loss to the Company if counterparties do not fulfill their contractual obligations. The most significant exposure to this risk is relative to the sale of oil production. All of the Company's production is sold directly to an oil super major. The Company is paid for its oil sales within 30 days of shipment. The Company has assessed the risk of non-collection from the buyer as low due to the buyer's financial condition.

Cash is held with a Canadian chartered bank and is monitored to ensure a stable return.

The carrying amount of cash, amounts receivable and advances receivable represents the maximum credit exposure. The Company does not have an allowance for doubtful accounts on its amounts receivable as at March 31, 2016 and 2015 and did not provide for any doubtful accounts.

Commodity Price Risk

Commodity price risk is the risk that future cash flows will fluctuate as a result of changes in commodity prices, affecting results of operations and cash generated from operating activities. Such prices may also affect the value of exploration and development properties and the level of spending for future activities. Prices received by the Company for its production are largely beyond the Company's control as petroleum prices are impacted by world economic events that dictate the levels of supply and demand. All of the Company's oil production is sold at spot rates exposing the Company to the risk of price movements. Effective May 16, 2015 the Company entered into a gas supply agreement to sell its share of gas production from the Cheal E field at a price of NZD $4.75 per gigajoule ending December 31, 2016.

13. Financial Instruments and Risk Management (continued)

Liquidity Risk

Liquidity risk is the risk that the Company will not have the resources to meet its obligations as they fall due. The Company manages this risk by closely monitoring cash forecasts and managing resources to ensure that it will have sufficient liquidity to meet its obligations. All of the Company's financial liabilities are classified as current and are anticipated to mature within the next fiscal period. The following table is based on the contractual maturity dates of financial assets and the earliest date on which the Company can be required to settle financial liabilities.

	Contractual Maturity Analysis at March 31, 2016				
	Less than 3 Months $	3 - 12 Months $	1 - 5 Years $	Over 5 Years $	Total $
Cash	7,694,932	-	-	-	7,694,932
Amounts receivable	289,253	-	-	-	289,253
Advances receivable	-	324,275	-	-	324,275
Accounts payable and accrued liabilities	(486,293)	-	-	-	(486,293)

Market Risk

Market risk is the risk that changes in foreign exchange rates, commodity prices and interest rates will affect the Company's cash flows, net income and comprehensive income. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

Foreign Currency Exchange Rate Risk

Foreign currency exchange rate risk is the risk that future cash flows, net income and comprehensive income will fluctuate as a result of changes in foreign exchange rates. All of the Company's petroleum sales are denominated in United States dollars and gas sales, operational and capital activities related to the Company's properties are transacted primarily in New Zealand dollars and/or United States dollars with some costs also being incurred in Canadian dollars.

The Company currently does not have significant exposure to other currencies and this is not expected to change in the foreseeable future as the work commitments in New Zealand are expected to be carried out in New Zealand and to a lesser extent, in United States dollars.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate fluctuations on its cash which bears a floating rate of interest. The risk is not considered significant.

The Company did not have any interest rate swaps or financial contracts in place during fiscal 2016 and 2015 and any variations in interest rates would not have materially affected net income.

Fair Value of Financial Instruments

Financial instruments are classified into one of the following five categories: fair value through profit or loss ("FVTPL"); held-to-maturity investments; loans and receivables; available-for-sale and other financial liabilities. The carrying values of the Company's financial instruments are classified into the following categories:

(Expressed in Canadian Dollars)

13. Financial Instruments and Risk Management (continued)

Financial Instrument	Category	March 31, 2016 $	March 31, 2015 $
Cash	FVTPL	7,694,932	8,401,122
Amounts receivable	Loans and receivables	289,253	754,270
Advances receivable	Loans and receivables	324,275	209,270
Accounts payable and accrued liabilities	Other financial liabilities	(486,293)	(562,212)

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The recorded amounts for amounts receivable, advances receivable and accounts payable and accrued liabilities approximate their fair value due to their short-term nature. The fair value of cash under the fair value hierarchy is measured using Level 1 inputs.

14. Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of petroleum and natural gas properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain development of the business. The Company defines capital that it manages as share capital. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company's share capital is not subject to any external restrictions. The Company has not paid or declared any dividends since the date of incorporation, nor are any currently contemplated. There have been no changes to the Company's approach to capital management during the period.

15. Commitments

As at March 31, 2016 the Company has capital expenditures of approximately $6,600,000, of which $1,131,000 is to be incurred in fiscal 2017. The capital expenditure amounts may be subject to change upon application.

(Expressed in Canadian Dollars)

16. Supplemental Cash Flow Information

During fiscal 2016 and 2015 non-cash activities were conducted by the Company as follows:

	2016 $	2015 $
Investing activities		
Property, plant and equipment	(493,504)	112,133
Exploration and evaluation assets	3,570	807,378
Reconciliation of deposit to amounts receivable	33,066	-
	(456,868)	919,511
Operating activities		
Provision for decommissioning liabilities	397,477	44,931
Accounts payable and accrued liabilities	92,457	(964,442)
Amounts receivable	(33,066)	-
	456,868	919,511

17. Segmented Information

The Company currently operates in one business segment, being the acquisition, exploration and production of oil and gas properties.

	As at March 31, 2016		
	Canada $	New Zealand $	Total $
Revenues	100,907	3,241,646	3,342,553
Exploration and evaluation assets	-	5,780,002	5,780,002
Property, plant and equipment	-	448,827	448,827

	As at March 31, 2015		
	Canada $	New Zealand $	Total $
Revenues	157,322	6,389,855	6,547,177
Exploration and evaluation assets	-	5,835,112	5,835,112
Property, plant and equipment	391,774	3,815,983	4,207,757

18. Events after the Reporting Period

(a) Subsequent to March 31, 2016 the Company had share options to purchase 12,000 common shares of the Company, at an exercise price of $0.14 per share, and 12,000 common shares of the Company, at an exercise price of $0.40 per share, expire without exercise.

(b) On June 24, 2016 the Company sold 2,000,000 common shares of Advantage Lithium for $160,000 cash.

(c) See also Note 7.